

PERRY AREA  
CHILD DEVELOPMENT CORPORATION

Financial Statements and Report on Audit

June 30, 2012 and 2011

## Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Exhibit A – Statement of Financial Position	2
Exhibit B – Statement of Activities and Changes in Net Assets	3
Exhibit C – Statement of Cash Flows	4
Notes to Financial Statements	5-7
Report on Internal Control Over Financial Reporting and on Compliance And Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	8

# POLLARD AND COMPANY P.C.

## CERTIFIED PUBLIC ACCOUNTANTS

5650 JOHNSTON DRIVE, SUITE A  
P.O. BOX 1098  
JOHNSTON, IOWA 50131  
TELEPHONE (515) 251 8520  
FAX (515) 251 3177  
CPAs@POLLARDCPA.COM

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Perry Area Child Development Corporation  
Perry, Iowa

We have audited the accompanying statement of financial position of the Perry Area Child Development Corporation (a nonprofit corporation) as of June 30, 2012 and 2011 and the related statements of activities and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Entity's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Perry Area Child Development Corporation as of June 30, 2012 and 2011, and the results of its activities and cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we are including herein our report on our consideration of the Perry Area Child Development Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is a integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

October 31, 2012

*Pollard and Company P.C.*

PERRY AREA CHILD DEVELOPMENT CORPORATION  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2012 AND 2011

<u>ASSETS</u>		<u>2012</u>	<u>2011</u>
Cash		\$ 216,318	\$ 138,089
Program Service Fees Receivable		18,570	17,326
Contract Receivable		3,386	3,033
Prepaid Expenses		4,467	
Certificates of Deposits		101,580	102,597
Land, Building and Equipment - Net		<u>106,722</u>	<u>116,511</u>
Total Assets		<u>\$ 451,043</u>	<u>\$ 377,556</u>
 <u>LIABILITIES AND NET ASSETS</u>			
Liabilities			
Accounts Payable		\$ 4,511	\$ 7,977
Accrued Wages Payable		11,078	9,025
Accrued Compensated Absences		<u>23,526</u>	<u>23,508</u>
Total Liabilities		<u>39,115</u>	<u>40,510</u>
Net Assets			
Unrestricted			
Undesignated		402,910	326,474
Temporarily Restricted		<u>9,018</u>	<u>10,572</u>
Total Net Assets		<u>411,928</u>	<u>337,046</u>
Total Liabilities and Net Assets		<u>\$ 451,043</u>	<u>\$ 377,556</u>

*Notes to financial statements are an integral part of this statement.*

PERRY AREA CHILD DEVELOPMENT CORPORATION  
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS  
YEARS ENDED JUNE 30, 2012 AND 2011

	2012			2011
	Net Assets			Total
	Unrestricted	Temporarily Restricted	Total	Only
Revenue				
Public Support				
Contributions and Grants	\$ 6,662	\$ 49,270	\$ 55,932	\$ 29,115
Governmental Funding				
Food and Nutrition	38,728		38,728	47,146
Shared Visions Grant		54,284	54,284	54,669
Preschool Program		55,870	55,870	47,671
Total Governmental Funding	38,728	110,154	148,882	149,486
Other Revenues				
Program Fees	300,648		300,648	285,831
Interest Income	1,545		1,545	846
Other Income	8,614		8,614	7,693
Total Other Revenue	310,807		310,807	294,370
Net Assets Released From Restriction	160,978	(160,978)		
Total Revenue and Net Assets Released from Restriction	517,175	(1,554)	515,621	472,971
Expenses				
Program Expenses	367,860		367,860	358,723
Fundraising Expenses	3,869		3,869	2,346
Administrative Expenses	69,010		69,010	70,461
Total Expenses	440,739		440,739	431,530
Change in Net Assets	76,436	(1,554)	74,882	41,441
Net Assets - Beginning of Year	326,474	10,572	337,046	295,605
Net Assets - End of Year	\$ 402,910	\$ 9,018	\$ 411,928	\$ 337,046

*Notes to financial statements are an integral part of this statement.*

PERRY AREA CHILD DEVELOPMENT CORPORATION  
STATEMENT OF CASH FLOWS  
YEARS ENDED JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
Cash Flows from Operating Activities		
Changes in Net Assets	\$ 74,882	\$ 41,441
Adjustments to Reconcile Changes in Net Assets to Cash Used by Operating Activities		
Depreciation	12,883	12,573
Changes In		
(Increase) in Accounts Receivable and Prepaid Expenses	(6,064)	(2,981)
Increase (Decrease) in Accounts Payable	<u>(1,395)</u>	<u>14,493</u>
Net Cash Provided by Operating Activities	80,306	65,526
Cash Flows from Investing Activities		
Purchase of Buildings & Equipment	(3,094)	-
Purchase (Redemption) of Certificates of Deposits	<u>1,017</u>	<u>(102,597)</u>
Net Cash (Used) by Investing Activities	<u>(2,077)</u>	<u>(102,597)</u>
Net Change in Cash	78,229	(37,071)
Cash - Beginning of Year	<u>138,089</u>	<u>175,160</u>
Cash - End of Year	<u>\$ 216,318</u>	<u>\$ 138,089</u>

*Notes to financial statements are an integral part of this statement.*

PERRY AREA CHILD DEVELOPMENT CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012 and 2011

1/ Nature of Activities

The Perry Area Child Development Corporation (the Entity) is a nonprofit corporation, established in December 2003, whose mission is to provide a full service child care center for the benefit of all of the members of the communities served by the Perry Community School District, the Dallas County Hospital and the City of Perry.

The Entity was created in conjunction with a shared use agreement between these parties, as allowed by Iowa Code Charter 28E, to form a joint and cooperative action to provide this facility to the communities.

2/ Significant Accounting Policies

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Comparative Amounts

The Statement of Activities and Changes in Net Assets includes certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Entity's financial statements for the year ended June 30, 2011, from which the summarized information was derived.

Deposits and Investments

The Entity's cash and investments are required to be deposited and invested in accordance with Chapters 12B and 12C of the Code of Iowa. The deposits were entirely covered by federal depository insurance or by the state sinking fund in accordance with Chapter 12C of the Code of Iowa.

Investments can only be made in obligations of the United States Government, its agencies and instrumentalities, certificates of deposit and other evidences of deposit at federally insured depositories approved pursuant to Chapter 12C of the Iowa Code, and with certain restrictions, prime bankers acceptances, commercial paper, repurchase agreements and certain open end management companies registered with the Federal Securities and Exchange Commission.

Credit Risk - In compliance with state statute, the Entity minimized credit risk losses due to default of a security issuer or backer by; limiting investments to the safest types of securities, and limiting bank deposits to less than \$250,000 covered by the Federal Deposit Insurance Corporation or the state sinking fund.

Interest Rate Risk - The Entity invests its cash in demand deposit accounts with interest rates which fluctuate periodically.

Revenue Appropriation

All public support is considered to be available for unrestricted use unless specifically restricted by the donor. At the Board's discretion, revenues are designated for specific purposes. Such Board designated funds, if any, are included in the unrestricted net asset section.

2/ Significant Accounting Policies - continued

Recognition of Donor Restrictions

Restricted assets are assets that either time or purpose restrictions have been imposed by the donors. The Entity receives state and local government financial assistance in the form of grants. The purpose of the assistance is restricted by the grantors for a particular program. The Entity has elected to treat some of the grants as unrestricted assets instead of temporarily restricted because the programs are ongoing and in place at the time the grant is authorized.

Income Taxes

The Entity is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and contributions to it are tax deductible within the limitations prescribed by the Code. It has been classified as a publicly supported Entity which is not a private foundation under Section 509(a) of the Code. As of June 30, 2012, there are three open tax years: June 30, 2011, 2010 and 2009.

Accounts Receivable

Accounts receivable have been adjusted for all unknown uncollectibles and no allowance is needed.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash equivalents consist of highly liquid investments with initial maturity of three months or less.

3/ Land, Building and Equipment and Depreciation

A summary of such assets follows:

	Estimated Useful Life	2012	2011
Land		\$ 26,000	\$ 26,000
Building and Improvements	5-15 Years	194,354	191,260
Equipment	5 Years	5,000	5,000
		<u>225,354</u>	<u>222,260</u>
Less: Accumulated Depreciation		<u>118,632</u>	<u>105,749</u>
Totals		<u>\$ 106,722</u>	<u>\$ 116,511</u>

Land, buildings and equipment are stated at cost except for donated property which is carried at estimated fair value at date of donation. Donations of property and equipment are recorded as support at their estimated fair value on the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. In a prior year, the Dallas County Hospital contributed land, a building and equipment totaling \$176,000 which has been classified as unrestricted net assets.

Provisions for depreciation are computed using the straight line method over the estimated useful lives of the assets.



4/ Accrued Compensated Absences

The Entity's employees accumulate vacation hours for subsequent use or payment upon retirement, death or termination. This liability was accrued based on the current rate of pay.

5/ Related Party Transaction

The Entity purchases a significant amount of food from one of its major contributors, the Perry Community School District for its food and nutrition programs. The total for year ended June 30, 2012 and 2011 was \$29,418 and \$30,901, respectively. The Entity also received tuition grants from the Perry Community School District of \$55,870 and \$47,671 for the year ended June 30, 2012 and 2011, respectively. The Entity received tuition grants from the Dallas County Hospital of \$9,360 each year

6/ Concentration of Credit Risk

The Entity had program service fees and contract receivables of \$21,956 at June 30, 2012. The ability to collect on such receivables is dependent upon the continued stability of local and state economic conditions.

7/ Risks and Uncertainties

The Entity is exposed to various risks in the normal course of business, such as damage to or destruction of assets, natural disasters, thefts, injuries to employees, loss of major contributors or suppliers, deterioration of the economy in its geographical business area, and other unforeseen events. The Entity minimizes its exposure to these risks as much as possible and acquires insurance where appropriate.

8/ Subsequent Events

Management has evaluated subsequent events through the date of the auditors' report, which is the date the financial statements were available to be issued.

# POLLARD AND COMPANY P.C.

## CERTIFIED PUBLIC ACCOUNTANTS

5650 JOHNSTON DRIVE, SUITE A  
P.O. BOX 1098  
JOHNSTON, IOWA 50131-6499  
TELEPHONE (515) 251-8520  
FAX (515) 251-3177  
CPAs@POLLARDCPA.COM

### REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors  
Perry Area Child Development Corporation

We have audited the financial statements of Perry Area Child Development Corporation as of and for the year ended June 30, 2012, and have issued our report thereon as dated below. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Entity's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on effectiveness of the Entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Entity's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned function, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Entity's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Perry Area Child Development Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended for the information of the Board of Directors, management and awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

October 31, 2012

*Pollard and Company P.C.*